



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

October 27, 2003

The Honorable Dennis J. Hastert
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

We are writing to strongly encourage the House of Representatives to act this year to pass legislation that complies with the World Trade Organization's ruling on the FSC/ETI matter, and avoids triggering trade sanctions by the European Union. The Administration encourages Congress to replace the ETI provisions with tax provisions that promote the competitiveness of American manufacturers and other job creating sectors of the U.S. economy.

As you know, in January 2002, the World Trade Organization Appellate Body found the ETI provisions and the FSC transition rules enacted in November 2000 to be an illegal export subsidy. In May 2003, the WTO authorized the EU to retaliate against approximately \$4 billion worth of U.S. exports.

The EU has identified 1,603 products to which ad valorem tariffs of up to 100 percent could be applied. These products include a broad range of agricultural and forest products, textile and leather goods, and steel and aluminum products. The President's Council of Economic Advisers has identified thousands of American workers that could be directly and adversely affected by the imposition of these tariffs.

This Administration and Congress have worked together to enact policies that promote job creation and economic growth. A growing body of evidence suggests these policies are working and that the U.S. economy is beginning to create new jobs. This job-creating recovery is still in its nascent stage, however. We believe that the imposition of punitive tariffs by the EU on American exports would pose a threat to U.S. jobs and economic growth.

We appreciate the hard work Chairman Thomas has put into this effort and look forward to working with you on passing legislation this year that addresses the WTO ruling.

Sincerely,

John W. Snow
Secretary of the Treasury

Donald L. Evans
Secretary of Commerce

Robert B. Zoellick
United States
Trade Representative